

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Columbia Township	County Jackson
Fiscal Year End June 30, 2006	Opinion Date October 20, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

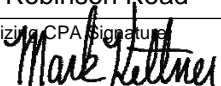
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

COLUMBIA TOWNSHIP

Jackson County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2006**



REHMANN ROBSON

Certified Public Accountants

COLUMBIA TOWNSHIP

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	20
Statement of Net Assets – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds	23-24
Statement of Fiduciary Net Assets – Agency Funds.....	25
Notes to the Financial Statements	26-40
Combining Fund Financial Statements -	
Combining Statement of Assets and Liabilities – Agency Funds.....	41

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

October 20, 2006

The Supervisor and Board of Trustees
Columbia Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Columbia Township, Michigan**, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Township, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbia Township's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Columbia Township, Brooklyn, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$24,409,385 (net assets). Of this amount, \$6,842,823 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$123,207 due to conservative spending in the sewer funds.
- As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$1,038,443, a decrease of \$212,392 in comparison with the prior year. Approximately 75.0% of this total amount, or \$781,879 is available for spending at the government's discretion (unreserved fund balance). This amounts to 51 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety and public works. The business-type activities of the Township include sewer operations.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Township maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. The Township of Columbia has no nonmajor funds.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township has one enterprise fund to account for its sanitary sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township has two fiduciary funds, which are *agency* funds. The first agency fund is used to account for tax collections by the Township of Columbia on behalf of other governmental units. The second agency fund is the payroll fund, which payroll is deposited and payroll checks are written. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

The fiduciary fund financial statements can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Columbia Township, assets exceeded liabilities by \$24,409,385 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets, \$17,309,998, reflects unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

An additional portion of the Township's net assets, \$256,564, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Township's net assets, \$6,842,823 reflects its investment in capital assets (e.g., buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

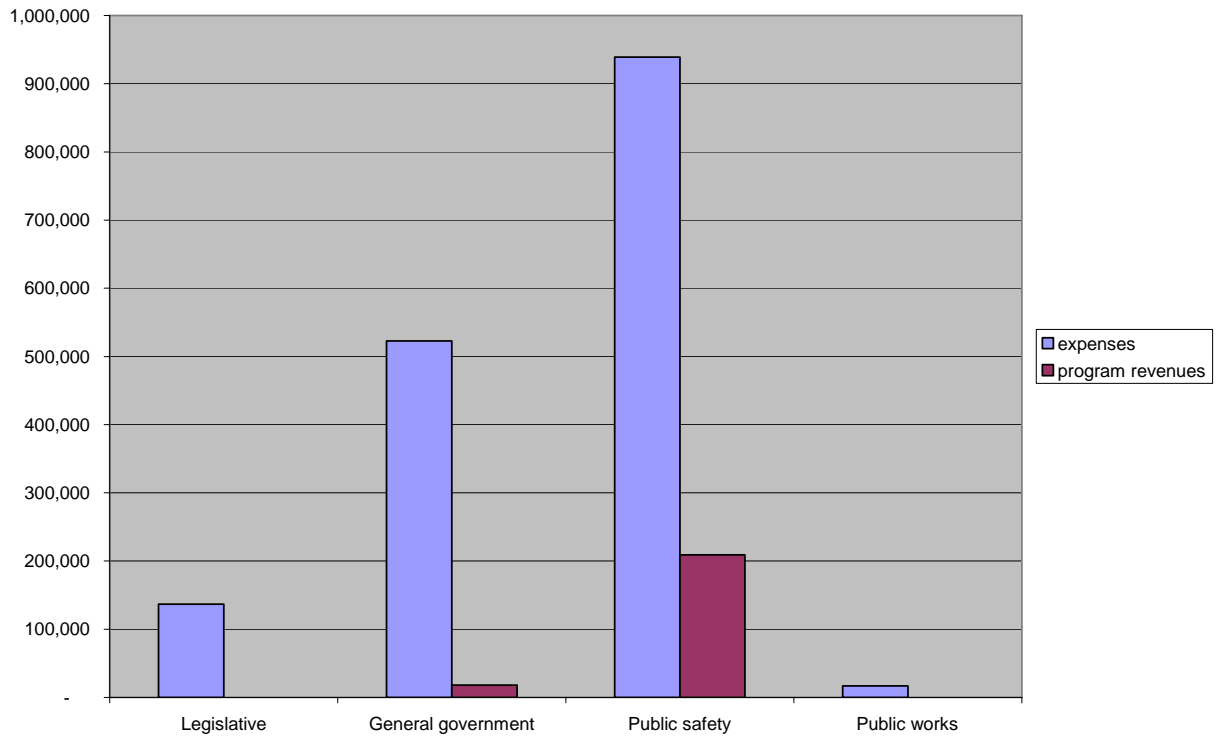
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,079,368	\$ 23,776,822	\$ 24,856,190
Capital assets	1,136,672	18,221,316	19,357,988
Total assets	<u>2,216,040</u>	<u>41,998,138</u>	<u>44,214,178</u>
Long-term liabilities outstanding	5,392	19,755,000	19,760,392
Other liabilities	40,925	3,476	44,401
Total liabilities	<u>46,317</u>	<u>19,758,476</u>	<u>19,804,793</u>
Net assets:			
Invested in capital assets, net of related debt	1,136,672	16,173,326	17,309,998
Restricted for special purposes	256,564	-	256,564
Unrestricted	<u>776,487</u>	<u>6,066,336</u>	<u>6,842,823</u>
Total net assets	<u>\$ 2,169,723</u>	<u>\$ 22,239,662</u>	<u>\$ 24,409,385</u>

Columbia Township's Changes in Net Assets

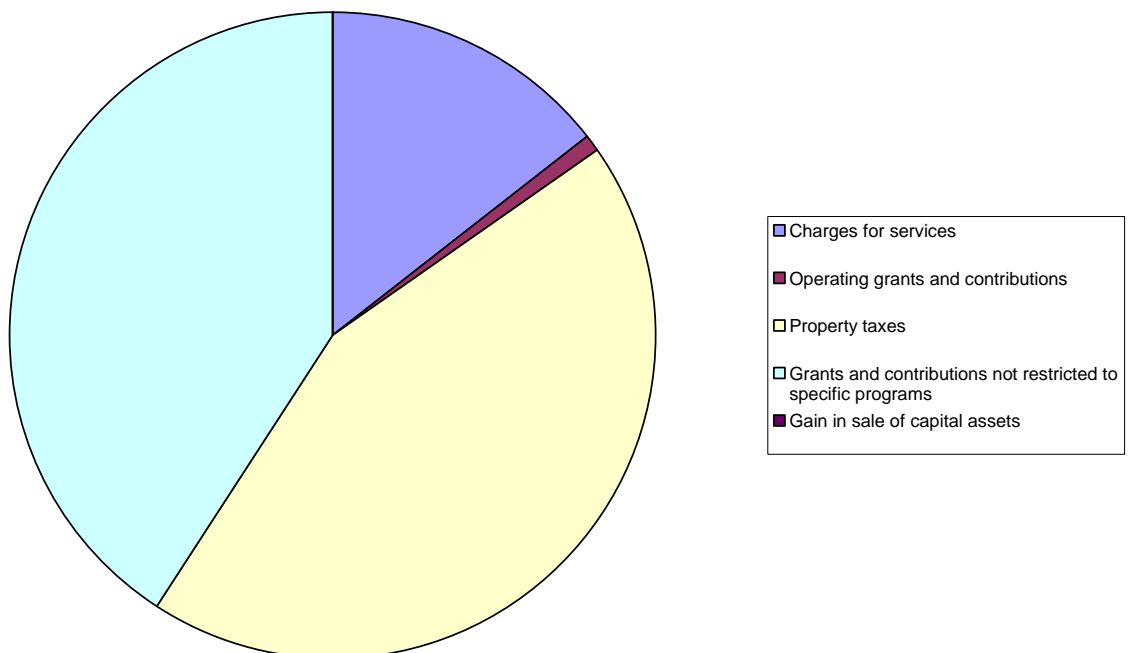
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 216,031	\$ 452,412	\$ 668,443
Operating grants and contributions	11,000	342,907	354,007
Capital grants and contributions	-	1,165,541	1,165,541
General revenue:			
Property taxes	652,442	-	652,442
Grants and contributions not restricted to specific programs	604,264	-	604,264
Total revenue	<u>1,483,837</u>	<u>1,960,860</u>	<u>3,444,697</u>
Expenses:			
Legislative	136,717	-	136,717
General government	522,575	-	522,575
Public safety	938,923	-	938,923
Public works	16,970	-	16,970
Sewer	-	1,706,305	1,706,305
Total expenses	<u>1,615,185</u>	<u>1,706,305</u>	<u>3,321,490</u>
Change in net assets	(131,348)	254,555	123,207
Net assets, beginning of year	<u>2,301,071</u>	<u>21,985,107</u>	<u>24,286,178</u>
Net assets, end of year	<u>\$ 2,169,723</u>	<u>\$ 22,239,662</u>	<u>\$ 24,409,385</u>

Governmental activities. Governmental activities decreased the Township's net assets by \$131,348. This is due to the purchase of new fire trucks for the Township.

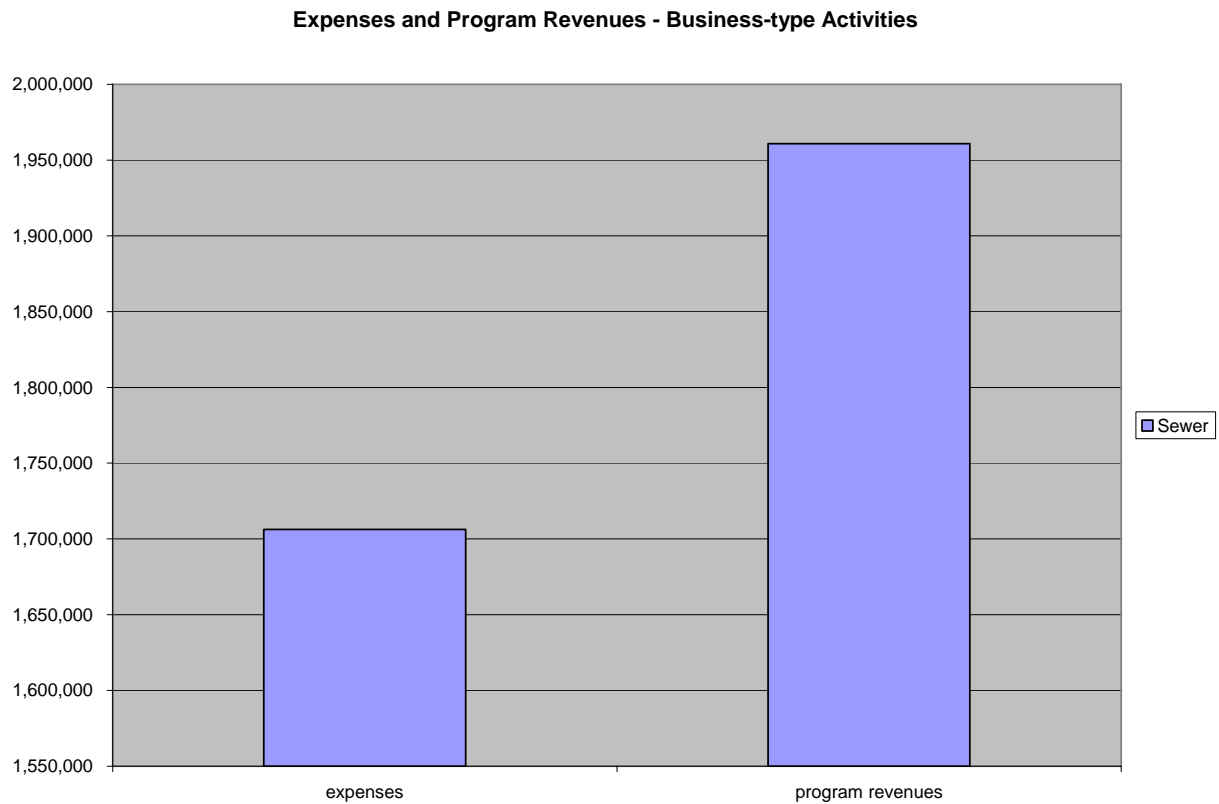
Expenses and Program Revenues - Governmental Activities



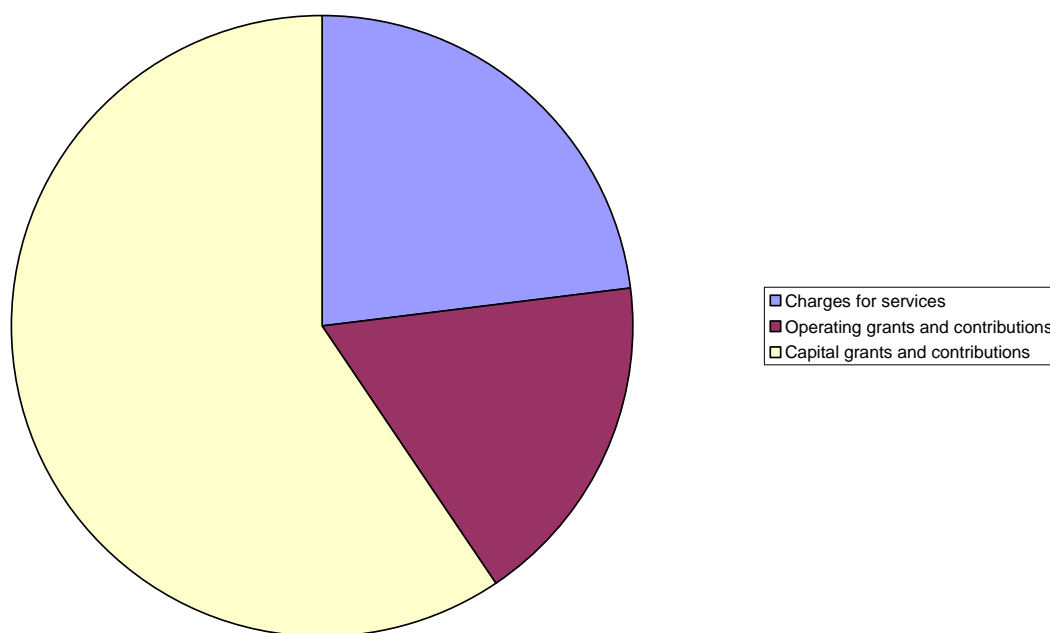
Revenues by Source - Governmental Activities



- **Business-type activities.** Business-type activities increased the Township's net assets by \$254,555. The Lake Columbia and Vineyard Lake projects are now completed and are properly recorded on the Township's assets.



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township and is the only governmental fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$781,879, while total fund balance was \$1,038,443. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 75 percent of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$212,392 during the current fiscal year. Although Township management prudently maintained a minimal level of spending anticipating the reduction in economic growth, the Township used \$125,000 of the Fund Balance to balance the FY 2006 budget.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer enterprise fund at the end of the year amounted to \$5,430,585 for Lake Columbia and \$635,751 for Vineyard Lake. The enterprise funds had an increase of \$254,555 in net assets for the year. Other factors concerning the finances of the enterprise funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township made no amendments to the general fund budget during the year. The difference between the original/final amended budgets and actual amounts for expenditures was \$202,536. The increase was primarily due to unbudgeted purchases of fire equipment.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$19,357,988 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Township of Columbia's Capital Assets (net of depreciation)

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Buildings	\$ 154,153	\$ -	\$ 154,153
Vehicles	982,519	-	982,519
Sewer system	-	18,221,316	18,221,316
Total	<u>\$ 1,136,672</u>	<u>\$ 18,221,316</u>	<u>\$ 19,357,988</u>

Additional information on the Township's capital assets can be found in note III.C. on pages 35-36 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$19,755,000. This entire amount comprises debt backed by the full faith and credit of the government. The Township also had accrued compensated absences in the amount of \$5,392.

Township of Columbia's Outstanding Debt

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General obligation bonds	\$ -	19,755,000	\$ 19,755,000
Compensated absences	<u>5,392</u>	<u>-</u>	<u>5,392</u>
Total	<u>5,392</u>	<u>\$ 19,755,000</u>	<u>\$ 19,760,392</u>

During the current fiscal year, the Township's installment debt decreased by \$1,265,000 or 6% due to the debt installment payments.

Additional information on the Township's long-term debt can be found in note III.F on pages 37-38 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the FY 2007 year:

- Use of fund balance to balance fiscal 2006-07 budget
- Available taxing, bonding, and grant resources
- A decrease in state shared revenue
- Projected staffing considerations

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Treasurer, Township of Columbia, 8500 Jefferson Rd, Brooklyn, Michigan 49230.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN**Statement of Net Assets****June 30, 2006**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 311,267	\$ 5,561,578	\$ 5,872,845
Investments	822,272	3,539,284	4,361,556
Receivables	73,054	14,405,243	14,478,297
Internal balances	(127,225)	127,225	-
Prepaid items and other assets	-	143,492	143,492
Capital assets being depreciated, net	1,136,672	18,221,316	19,357,988
Total assets	2,216,040	41,998,138	44,214,178
Liabilities			
Accounts payable and accrued liabilities	40,925	3,476	44,401
Long-term debt:			
Due within one year	-	1,260,000	1,260,000
Due in more than one year	5,392	18,495,000	18,500,392
Total liabilities	46,317	19,758,476	19,804,793
Net assets			
Invested in capital assets, net of related debt	1,136,672	16,173,326	17,309,998
Restricted for special purposes	256,564	-	256,564
Unrestricted	776,487	6,066,336	6,842,823
Total net assets	\$ 2,169,723	\$ 22,239,662	\$ 24,409,385

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2006

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Legislative	\$ 136,717	\$ -	\$ -	\$ -	\$ (136,717)
General government	522,575	17,890	-	-	(504,685)
Public safety	938,923	198,141	11,100	-	(729,682)
Public works	16,970	-	-	-	(16,970)
Total governmental activities	1,615,185	216,031	11,100	-	(1,388,054)
Business-type activities:					
Sewer	1,706,305	452,412	342,907	1,165,541	254,555
Total	<u>\$ 3,321,490</u>	<u>\$ 668,443</u>	<u>\$ 354,007</u>	<u>\$ 1,165,541</u>	<u>\$ (1,133,499)</u>

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	\$ (1,388,054)	\$ 254,555	\$ (1,133,499)
General revenues:			
Property taxes	652,442	-	652,442
Grants and contributions not restricted to specific programs	604,264	-	604,264
Total general revenues	1,256,706	-	1,256,706
Change in net assets	(131,348)	254,555	123,207
Net assets, beginning of year	2,301,071	21,985,107	24,286,178
Net assets, end of year	\$ 2,169,723	\$ 22,239,662	\$ 24,409,385

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN
Balance Sheet
General Fund
June 30, 2006

ASSETS

Assets

Cash and cash equivalents	\$ 311,267
Investments	822,272
Accounts receivable	10,871
Due from other governments	<u>62,183</u>

TOTAL ASSETS

\$ 1,206,593

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 31,195
Accrued wages	9,730
Due to other funds	<u>127,225</u>

Total liabilities	<u>168,150</u>
-------------------	----------------

Fund balance

Reserved for fire equipment	256,564
Unreserved, undesignated	<u>781,879</u>

Total fund balance	<u>1,038,443</u>
--------------------	------------------

TOTAL LIABILITIES
AND FUND BALANCE

\$ 1,206,593

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2006

Fund balance - General fund	\$ 1,038,443
-----------------------------	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefor are not reported in the funds.

Add: capital assets	1,893,747
Deduct: accumulated depreciation	(757,075)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: compensated absences	<u>(5,392)</u>
------------------------------	----------------

Net assets of governmental activities	<u><u>\$ 2,169,723</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2006

Revenue

Taxes and special assessments	\$ 652,442
Intergovernmental	412,314
Licenses and permits	194,572
Charges for services	145,378
Fines and forfeits	18,103
Other revenue	61,028
	<hr/>
Total revenue	1,483,837
	<hr/>

Expenditures

Legislative	124,292
General government	521,359
Public safety	1,035,523
Public works	15,055
	<hr/>
Total expenditures	1,696,229
	<hr/>

Net change in fund balance	(212,392)
----------------------------	-----------

Fund balance, beginning of year	1,250,835
	<hr/>

Fund balance, end of year	\$ 1,038,443
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balance - General fund	\$ (212,392)
---	--------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	191,093
Deduct: depreciation expense	(106,725)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in the accrual for compensated absences	<u>(3,324)</u>
--	----------------

Change in net assets of governmental activities	<u><u>\$ (131,348)</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2006

	Original/ Final Budget	Actual	Actual Over (Under) Budget
Revenue			
Taxes and special assessments	\$ 667,193	\$ 652,442	\$ (14,751)
Intergovernmental	312,500	412,314	99,814
Licenses and permits	207,000	194,572	(12,428)
Charges for services	120,400	145,378	24,978
Fines and forfeits	20,000	18,103	(1,897)
Other revenue	49,885	61,028	11,143
	<u>1,376,978</u>	<u>1,483,837</u>	<u>106,859</u>
Expenditures			
Legislative:			
Board of Trustees	54,276	124,292	70,016
General government:			
Supervisor	35,780	36,945	1,165
Assessor	131,480	160,887	29,407
Clerk Elections	12,100	3,978	(8,122)
Clerk Office	76,953	78,882	1,929
Board of Review	3,400	1,299	(2,101)
Treasurer	84,650	76,117	(8,533)
Hall and Grounds	162,650	128,475	(34,175)
Cemetery and Grounds	24,200	26,900	2,700
Parks and Recreation	6,200	4,625	(1,575)
Sewer	8	3,251	3,243
	<u>537,421</u>	<u>521,359</u>	<u>(16,062)</u>
Public safety:			
Police	394,591	386,853	(7,738)
Fire	334,159	472,846	138,687
Building Inspector	103,350	89,327	(14,023)
Electrical Inspector	14,350	55,310	40,960
Plumbing Inspector	10,250	18,990	8,740
Zoning and planning	24,196	12,197	(11,999)
	<u>880,896</u>	<u>1,035,523</u>	<u>154,627</u>
Public works:			
Highways and Streets	21,100	15,055	(6,045)
	<u>1,493,693</u>	<u>1,696,229</u>	<u>202,536</u>
Net change in fund balance	(116,715)	(212,392)	(95,677)
Fund balance, beginning of year	<u>1,250,835</u>	<u>1,250,835</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,134,120</u></u>	<u><u>\$ 1,038,443</u></u>	<u><u>\$ (95,677)</u></u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Net Assets
Enterprise Funds
June 30, 2006

	Lake Columbia	Vineyard Lake	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,647,173	\$ 575,894	\$ 2,223,067
Investments	3,539,284	-	3,539,284
Accounts receivable	35,464	1,280	36,744
Current portion of special assessments receivable	641,498	98,192	739,690
Current portion of long-term lease receivable	-	136,518	136,518
Funds on deposit with Jackson County	2,606,474	732,037	3,338,511
Due from other funds	110,545	16,680	127,225
Total current assets	8,580,438	1,560,601	10,141,039
Non-current assets:			
Deferred charges	101,315	42,177	143,492
Special assessments receivable, net of current portion	8,901,412	1,562,129	10,463,541
Long-term lease receivable, net of current portion	-	3,028,750	3,028,750
Capital assets, net	15,516,220	2,705,096	18,221,316
Total non-current assets	24,518,947	7,338,152	31,857,099
Total assets	33,099,385	8,898,753	41,998,138
Liabilities			
Current liabilities:			
Accounts payable	3,196	280	3,476
Current portion of long-term debt	1,010,000	250,000	1,260,000
Total current liabilities	1,013,196	250,280	1,263,476
Bonds payable, net of current portion	13,145,000	5,350,000	18,495,000
Total liabilities	14,158,196	5,600,280	19,758,476
Net assets			
Invested in capital assets, net of related debt	13,510,604	2,662,722	16,173,326
Unrestricted	5,430,585	635,751	6,066,336
Total net assets	\$ 18,941,189	\$ 3,298,473	\$ 22,239,662

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2006

	Lake Columbia	Vineyard Lake	Total
Operating revenue			
Charges for services	\$ 384,139	\$ 68,273	\$ 452,412
Special assessment revenue	759,218	406,323	1,165,541
Total operating revenue	1,143,357	474,596	1,617,953
Operating expenses			
Costs of sales and services	197,581	47,184	244,765
Administration	99,760	105,640	205,400
Depreciation	346,273	70,262	416,535
Amortization of bond issue costs	14,474	2,481	16,955
Total operating expenses	658,088	225,567	883,655
Operating income	485,269	249,029	734,298
Non-operating revenue (expense)			
Interest on investments	161,905	27,697	189,602
Interest on special assessments	162,062	(8,757)	153,305
Interest expense and fiscal charges	(597,950)	(224,700)	(822,650)
Total non-operating revenue (expense)	(273,983)	(205,760)	(479,743)
Change in fund net assets	211,286	43,269	254,555
Net assets, beginning of year	18,729,903	3,255,204	21,985,107
Net assets, end of year	<u>\$ 18,941,189</u>	<u>\$ 3,298,473</u>	<u>\$ 22,239,662</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2006

	Lake Columbia	Vineyard Lake	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,837,200	\$ 847,292	\$ 2,684,492
Cash payments to suppliers for goods and services	(409,468)	(164,486)	(573,954)
Net cash provided (used) by operating activities	<u>1,427,732</u>	<u>682,806</u>	<u>2,110,538</u>
Cash flows from capital and related financing activities			
Principal paid on bonds payable	(1,015,000)	(250,000)	(1,265,000)
Interest paid on bonds payable	(597,950)	(224,700)	(822,650)
Interest collected on special assessments	162,062	(8,757)	153,305
Construction/acquisition of capital assets	(3,389,987)	-	(3,389,987)
Construction funds received from Jackson County	<u>3,378,732</u>	<u>87,121</u>	<u>3,465,853</u>
Net cash provided by capital and related financing activities	<u>(1,462,143)</u>	<u>(396,336)</u>	<u>(1,858,479)</u>
Cash flows from investing activities			
Proceeds from sale of investments	108,845	-	108,845
Interest on investments	<u>161,905</u>	<u>27,697</u>	<u>189,602</u>
Net cash provided (used) by investing activities	<u>270,750</u>	<u>27,697</u>	<u>298,447</u>
Increase in cash and cash equivalents	236,339	314,167	550,506
Cash and cash equivalents, beginning of year	<u>1,410,834</u>	<u>261,727</u>	<u>1,672,561</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,647,173</u></u>	<u><u>\$ 575,894</u></u>	<u><u>\$ 2,223,067</u></u>

Non-Cash Transactions:

There were no significant non-cash transactions during the year ended June 30, 2006.

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Enterprise Funds (Concluded)
For the Year Ended June 30, 2006

	Lake Columbia	Vineyard Lake	Total
Reconciliation of operating income to cash flows from operating activities			
Operating income	\$ 485,269	\$ 249,029	\$ 734,298
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	346,273	70,262	416,535
Amortization of bond issue costs	14,474	2,481	16,955
Changes in assets and liabilities:			
Accounts receivable	18,901	(875)	18,026
Special assesment receivable	674,942	157,869	832,811
Due from other funds	(110,545)	(11,942)	(122,487)
Long-term lease receivable	-	215,702	215,702
Accounts payable	3,156	280	3,436
Due to other funds	(4,738)	-	(4,738)
Net cash provided by operating activities	<u><u>\$ 1,427,732</u></u>	<u><u>\$ 682,806</u></u>	<u><u>\$ 2,110,538</u></u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

Assets

Cash and cash equivalents	\$ 17,047
---------------------------	-----------

Liabilities

Accounts payable	\$ 8,839
Due to other governments	8,208

Total liabilities	\$ 17,047
--------------------------	------------------

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Columbia Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *Lake Columbia sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Vineyard Lake sewer enterprise fund* accounts for the activities of the common sewage disposal and treatment system administered by the township.

Additionally, the government reports the following fund type:

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Township's investment policy allow for all of these types of investments.

The caption "Funds on deposit with Jackson County" represents deposits held by that government on behalf of the Township to be used for sewer system construction and maintenance, and payments on the related outstanding debt. Accordingly, these deposits are not included in the determination of the amount of the Township's federally insured deposits.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	40
Vehicles	3-30
Equipment	5-30

4. Compensated absences

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Legislative:			
Board of Directors	\$ 54,276	\$ 124,292	\$ 70,016
General government:			
Supervisor	35,780	36,945	1,165
Assessor	131,480	160,887	29,407
Clerk Office	76,953	78,882	1,929
Cemetery and Grounds	24,200	26,900	2,700
Sewer	8	3,251	3,243
Public safety:			
Fire	334,159	472,846	138,687

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 5,872,845
Investments	<u>4,361,556</u>
	10,234,401

Statement of Fiduciary Net Assets:

Agency Funds:	
Cash and cash equivalents	<u>17,047</u>
	<u>\$10,251,448</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Classification of Deposit and Investments:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 5,283,057
Investments	1,629,680
Funds on deposit with Jackson County	3,338,511
Cash on hand	<u>200</u>
	<u>\$ 10,251,448</u>

Deposits and investments

The Township chooses to disclose its deposits and investments by specifically identifying each. As of year end, the Township had the following deposits and investments (excluding funds on deposit with Jackson County).

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking/savings accounts	n/a	\$ 2,262,773	n/a
Certificates of deposit	less than 1 year	2,773,284	n/a
Certificates of deposit	1-5 years	247,000	n/a
Comerica Money Market Fund	n/a	594,617	n/a
Comerica J Fund	n/a	445,691	n/a
Federal National Mortgage Association	1-5 years	98,969	AAA
Federal Home Loan Bank	less than 1 year	342,699	AAA
Federal Home Loan Bank	1-5 years	<u>147,704</u>	AAA

\$ 6,912,737

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. Investments which had credit risk ratings at year end are noted above.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$3,583,936 of the Township's bank balance of \$5,520,936 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables as of year end are as follows:

	Governmental Activities	Business-type Activities	Total	Amounts Not Expected to be Collected Within One Year
Receivables:				
Accounts receivable	\$ 10,871	\$ 36,744	\$ 47,615	\$ -
Due from other governments	62,183	-	62,183	-
Special assessments receivable	-	11,203,231	11,203,231	10,463,541
Lease receivable	-	3,165,268	3,165,268	3,028,750
Total receivables	\$ 73,054	\$ 14,405,243	\$ 14,478,297	\$ 13,492,291

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets being depreciated:				
Improvements	\$ 82,091	\$ -	\$ -	\$ 82,091
Buildings	496,999	-	-	496,999
Vehicles	1,123,564	191,093	-	1,314,657
Total capital assets being depreciated	<u>1,702,654</u>	<u>191,093</u>	<u>-</u>	<u>1,893,747</u>
Less accumulated depreciation for:				
Improvements	82,091	-	-	82,091
Buildings	330,421	12,425	-	342,846
Vehicles	237,838	94,300	-	332,138
Total accumulated depreciation	<u>650,350</u>	<u>106,725</u>	<u>-</u>	<u>757,075</u>
Total capital assets being depreciated, net	<u>1,052,304</u>	<u>84,368</u>	<u>-</u>	<u>1,136,672</u>
Governmental activities capital assets, net	<u>\$ 1,052,304</u>	<u>\$ 84,368</u>	<u>\$ -</u>	<u>\$ 1,136,672</u>
Business-type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 5,055,444	\$ 3,389,987	\$ 8,445,431	\$ -
Capital assets being depreciated:				
Sewer system	<u>12,438,675</u>	<u>8,445,431</u>	<u>-</u>	<u>20,884,106</u>
Less accumulated depreciation for:				
Sewer system	<u>2,246,255</u>	<u>416,535</u>	<u>-</u>	<u>2,662,790</u>
Total capital assets being depreciated, net	<u>10,192,420</u>	<u>8,028,896</u>	<u>-</u>	<u>18,221,316</u>
Business-type activities capital assets, net	<u>\$ 15,247,864</u>	<u>\$ 11,418,883</u>	<u>\$ 8,445,431</u>	<u>\$ 18,221,316</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 12,425
Public safety	<u>94,300</u>

Total depreciation expense - governmental activities **\$ 106,725**

Business-type activities:

Sewer	<u>\$ 416,535</u>
-------	--------------------------

D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 31,195	\$ 3,476	\$ 34,671
Accrued wages	<u>9,730</u>	<u>-</u>	<u>9,730</u>
	<u>\$ 40,925</u>	<u>\$ 3,476</u>	<u>\$ 44,401</u>

E. Interfund receivables, payables and transfers

At June 30, 2006, interfund receivables and payables consisted of the following:

	<u>Due from</u>	<u>Due to</u>
General fund	\$ -	\$ 127,225
Lake Columbia sewer fund	110,545	-
Vineyard Lake sewer fund	<u>16,680</u>	<u>-</u>
	<u>\$ 127,225</u>	<u>\$ 127,225</u>

The Township often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

F. Long-term debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer construction projects	3.0 - 4.25%	<u>\$19,755,000</u>

The wastewater disposal system bond payable is equal to the aggregate outstanding principal and interest payments due on the County of Jackson Wastewater Disposal Facility Bonds (Clark Lake, Vineyard Lake and Lake Columbia Sections). Those bonds were issued to finance the construction of the wastewater disposal system, which was managed and administered by the Jackson County Department of Public Works under contract with the Township until this year when the Township became the administrator of the common fund. The cost of the Township's portion of the system is capitalized in the Township's Sewer Enterprise Funds, which are financing the debt service payments through usage fees and special assessments. The portion of the debt attributable to other governmental units is offset by a long-term lease receivable from those units.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds is as follows:

<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,260,000	\$ 782,200	\$ 2,042,200
2008	1,255,000	740,575	1,995,575
2009	1,295,000	696,625	1,991,625
2010	1,290,000	649,950	1,939,950
2011	1,355,000	601,250	1,956,250
2012-2016	5,600,000	2,293,188	7,893,188
2017-2021	4,900,000	1,297,419	6,197,419
2022-2024	2,800,000	246,125	3,046,125
	<u><u>\$ 19,755,000</u></u>	<u><u>\$ 7,307,332</u></u>	<u><u>\$ 27,062,332</u></u>

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental activities:					
Compensated absences	<u>\$ 2,068</u>	<u>\$ 3,324</u>	<u>\$ -</u>	<u>\$ 5,392</u>	<u>\$ -</u>
Business-type activities:					
General obligation bonds	<u>\$ 21,020,000</u>	<u>\$ -</u>	<u>\$ 1,265,000</u>	<u>\$ 19,755,000</u>	<u>\$ 1,260,000</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

IV. OTHER INFORMATION

A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2005 levy was assessed at \$297,607,336. The government's general operating tax rate for fiscal year 2005-2006 was .7272 mills with 1.3964 additional mills levied for police and fire operations. The revenue generated by the additional millage is not enough to cover police and fire expenditures; therefore, these operations are reliant on General Fund subsidies. Accordingly, both the property tax revenue and these operations are accounted for in the General Fund.

B. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees which bear a reasonable relationship to the cost of operating their building departments. The Township's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Township's building department are accounted for in the General Fund.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

For the year ended June 30, 2006, the Township's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	\$ 46,045
Mechanical permits	11,375
Plumbing permits	36,470
Electrical permits	<u>52,500</u>
Total revenue	<u>146,390</u>

Expenditures

Building Inspector	\$ 89,327
Electrical Inspector	55,310
Plumbing Inspector	18,990
Indirect costs (overhead)	<u>560</u>
Total expenditures	<u>164,187</u>
Excess (deficiency)	(17,797)
Cumulative excess (deficiency) of building department revenues over expenditures:	
June 30, 2005	<u>(12,630)</u>
June 30, 2006	<u><u>\$ (30,427)</u></u>

* * * * *

**COMBINING and INDIVIDUAL FUND
FINANCIAL STATEMENTS**

COLUMBIA TOWNSHIP, MICHIGAN
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2006

	<u>Agency Funds</u>		
	<u>Current</u>	<u>Payroll</u>	
	<u>Tax</u>	<u>Clearing</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 15,579	\$ 1,468	\$ 17,047
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Accounts payable	\$ 7,371	\$ 1,468	\$ 8,839
Due to other governments	8,208	-	8,208
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL LIABILITIES</u>	<u>\$ 15,579</u>	<u>\$ 1,468</u>	<u>\$ 17,047</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



October 20, 2006

To the Board of Trustees of the
Columbia Township
Brooklyn, Michigan

We have audited the financial statements of Columbia Township for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 27, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Columbia Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Columbia Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Columbia Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Columbia Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Columbia Township, either individually or in the aggregate, indicate matters that could have a significant effect on Columbia Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Columbia Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is written over a horizontal line.

Columbia Township

Comments and Recommendations

For the Year Ended June 30, 2006

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated October 20, 2006 on the financial statements of Columbia Township.

Journal Entries

As a part of our audit, we examined several journal entries in compliance with Statements of Auditing Standards (SAS) 99. As in 2005, we noted that journal entries prepared by the Treasurer are not initialed or approved by someone other than the preparer as a check for journal entry appropriateness and accuracy. Although there was no evidence of management override, this is considered a deficiency in internal control. In order to enhance internal controls in this area, we are repeating our recommendation that all journal entries be reviewed and initialed by an appropriate individual to ensure effective internal controls in this area.

In addition, there appeared to be a large number of reclassifying entries to move revenue around between various accounts. Many of these entries could be eliminated if employees had a better understanding of the importance of correctly posting cash receipts.

Cash and Investments

During our examination of cash and investments, and our discussions with management, it was noted that bank accounts were reconciled by the same individual who has access to the accounting records. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. It is recommended that an individual without access to the accounting records reconciles the bank statements each month and then the reconciliations are reviewed and approved by an appropriate individual (evidenced by the reviewers initials).

In connection with our testing of investments, we asked the Township to provide account numbers so we could prepare a confirmation to send to one of the financial institutions with which the Township does business. However, the confirmation contained incorrect certificate of deposit account information. As a result, the financial institution in question then indicated that they did not have any record of the Township's investments at year end. In addition, there was another certificate of deposit which the Township was initially unable to provide support for. While we were eventually able to follow up with representatives from each financial institution and confirm the amounts and account numbers of the certificates, it added to the time required to complete the audit. We recommend that the Township more carefully maintain its investment records to ensure that it is able to accurately account for these balances.

Columbia Township
Comments and Recommendations
For the Year Ended June 30, 2006

Accounts Payable

While conducting our audit procedures on accounts payable, it was noted that invoices are not being properly accrued. If invoices are correctly entered into the accounting software (i.e. posted to the correct date), the accrual for accounts payable should occur almost automatically. Instead, we manually reviewed all checks written in the first two months of the year and their related invoices. In total, we accrued over \$30,000 in accounts payable that was not originally recognized by the Township.

In addition, we noted that there appears to be a number of payables that are posted to incorrect accounts. This has lead to numerous voided checks and an increase in the number of journal entries required to correct accounts payable and the related expenses.

We recommend that the Township review its cash disbursement and accounts payable procedures to ensure that invoices are being properly paid, documented and accrued.

Payroll Processes

During the course of our audit, we noted that payroll registers are not reviewed and approved by an individual other than the person responsible for preparing the payroll checks. The independent review and approval of payroll registers is an important internal control, especially given that payroll and related benefits are a major expenditure of the Township. In order to enhance internal controls in this area, we recommend that an appropriate individual review and approve the payroll register prior to the payroll checks being run.

The Township has outsourced the payroll check preparation process for fiscal year 2007, which should easily enable the independent review of the payroll registers.

Periodic Account Analyses

The Township has not been performing periodic account analyses or reconciliations for many of its balance sheet accounts. A significant effort was undertaken by Township employees and our staff at year end to substantially adjust the Township's accounting records to present information in accordance with generally accepted accounting principles.

While we were ultimately satisfied that the amounts presented in the Township's audited financial statements were fairly presented in all material respects, the significant amount of corrections brings into question whether or not interim financial statements are materially accurate or reliable.

One of the best internal control procedures for verifying the accuracy of the Township's financial information through the year is the periodic analysis of account balances (particularly for balance sheet accounts) to ascertain the following:

Columbia Township

Comments and Recommendations

For the Year Ended June 30, 2006

- Balance sheet accounts are supported by itemized listings of the components comprising the financial statement totals;
- The detail listing is free of obvious errors, unusual reconciling items that suggest the need for adjustment, and mispostings or other clerical errors;
- The balances make sense relative to operational data

Accordingly, we recommend that all balance sheet accounts be analyzed monthly. The analyses should be retained and reviewed by a responsible official other than the preparer as part of the monthly closing cycle. This procedure will provide improved assurance that accounting errors will be detected and corrected in a timely manner, and will provide management and the Board of Trustees more meaningful and useful financial data with which to make their decisions.

Cash Receipts

During the audit, it was noted that individuals who handle and enter cash receipts into the computer system, also prepare bank deposits. Presently, there is no daily independent comparison to determine that the deposit slip copy agrees with the cash received log, although cash receipts are agreed to deposits monthly when bank reconciliations are completed. In order to enhance the internal controls in this area, we recommend that another individual in the office agree the deposit slip with the cash receipts on a more frequent basis.

Cross-Training on Accounting Matters

We understand that currently when an employee is sick or on vacation, that their duties are not performed by another employee in their absence. We further understand that there are no detailed instructions and narratives regarding the performance of job duties so that another employee could follow them if there was for some reason an extended absence. We recommend that the Township starts a “cross-training” process for essential duties and recommend that manuals be created so that in the event of an absence or new hire, the Township is able to continue functioning in a smooth manner.

We are pleased to note that the new Treasurer has begun to cross-train employees and create position manuals and encourage the Township to continue on this path.

Public Act 48 Funds

During the course of our audit, it came to our attention that the Township is receiving funds under PA 48 of 2002 and putting these monies into a general fund revenue account. These funds are required by law to be used solely for rights-of-way purposes.

We recommend that the Township review the allowable uses for these funds in order to comply with the Act. In addition, we recommend that separate revenue and expenditure accounts are created so that the receipt and usage of these funds can be easily tracked.